

STATE OF ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY

2010

STATE EXPERIENCE FACTOR

AND

EMPLOYERS' UI CONTRIBUTION RATES

The 2010 State Experience Factor for unemployment insurance contributions is **107%**. The State Experience Factor for 2009 was 91%. Employers' 2010 contribution rates are computed in accordance with the Illinois Unemployment Insurance Act ("the Act").

DETERMINATION OF THE STATE EXPERIENCE FACTOR

The State Experience Factor is determined in the following manner:

1. The Unadjusted State Experience Factor

This is the ratio of all regular benefits paid (including benefits resulting from reimbursable employers) during the period from July 1, 2006 to June 30, 2009 to net revenues during the period from October 1, 2006 to September 30, 2009. Net revenues include receipts from reimbursable employers.

2. Adjustment Points

An adjustment is made to the 2010 State Experience Factor when the amount standing to the credit of this State's account in the Unemployment Insurance Trust Fund, as of June 30, less the Benefit Reserve for Fund Building from July 1, 1987 through June 30, 2009 (8/104 of total benefits paid from January 1, 1988 through December 31, 1988 and 4/108 of total benefits paid from January 1, 1989 through December 31, 1989), varies from the sum of \$1 billion. For every \$50 million, or fraction thereof, by which this adjusted Trust Fund balance exceeds \$1 billion, the State Experience Factor is decreased by one percentage point. For every \$50 million, or fraction thereof, by which the amount falls below \$1 billion, the State Experience Factor is increased by one percentage point.

COMPUTATION OF THE STATE EXPERIENCE FACTOR FOR 2010

The State Experience Factor for 2010 was computed as follows:

1. **Unadjusted State Experience Factor:**

$$\frac{\text{All Benefits Paid 07/01/2006 thru 06/30/2009}}{\text{Net Revenues 10/01/2006 thru 09/30/2009}} = \frac{\$7,511,009,694}{\$4,985,096,407}$$

Unadjusted factor = 150.6693%
or 151%

Net Revenue = [the calculated experience rated revenue liabilities (10/01/2006 thru 09/30/2009)
+ reimbursable revenue receipts (10/01/2006 thru 09/30/2009)]

Note: Under the provisions of the Act, the ratio of 150.6693% was rounded to the nearer multiple of one percent, namely 151%.

2. **Adjustment Points**

The amount standing to the credit of Illinois' account in the Unemployment Insurance Trust Fund as of 06/30/2009: \$173,166,443

Minus Benefit Reserves for Fund Building for July 1, 1987 through June 30, 2009: \$18,266,587

Amount used as the basis for adjustment points (Targeted Balance): \$1,000,000,000

Targeted Balance minus Adjusted Trust Fund Balance: \$845,100,144

$$\begin{array}{rclclcl} \text{Adjustment Points:} & \$845,100,144 & & & & \\ & \hline & \$50,000,000 & = & 16.9020 & = & 17^* \end{array}$$

* Under provisions of the Act, any fractional Adjustment Points are rounded to the next highest multiple.

3. **Unadjusted State Experience Factor for 2010:** 151%
Add Adjustment Points: 17%

2010 State Experience Factor as adjusted: **107%****

** Although the adjustment points increase the 2010 Factor to 168%, the Act specifies that it cannot be more than 16 percentage points above the previous year's Factor, thus the 2010 Factor is constrained at 107%.

EMPLOYERS' CONTRIBUTION RATES FOR 2010

Most employers who became liable for the payment of contributions *on or after* **January 1, 2008** will pay at the entry rate of **3.350%**. Although the Act dictates that employers pay higher entry rates if they are in a North American Industrial Classification System (NAICS) sector that has an average tax rate above the standard entry rate, there are no NAICS sectors with a higher effective average tax rate for 2010.

The above entry rate includes the 0.450% Fund Building Rate in effect for 2010.

Employers who became liable *between* **January 1, 2008 and June 1, 2008** (i.e. had at least 13 months of experience as of June 30, 2009) will have the greater of: the standard new employer rate of **3.350%**, or a rate based on their experience. Their contribution rate will be determined as specified below for experience rated employers except that the period used will be July 1, 2008 through June 30, 2009.

Employers who have incurred liability for the payment of contributions within each of the three or more years immediately preceding 2010 will qualify for a variable rate based on their individual experience. These employers may calculate their 2010 contribution rate as follows:

1. **Determine your BENEFIT RATIO**

There are three components of the Benefit Ratio:

Benefit Charges -- These are listed on the BEN-118 Statement of Benefit Charges.

Benefit Conversion Factor (BCF) -- The BCF gives Benefit Charges the same statewide financial impact as Benefit Wages (charges to employer accounts prior to July 1, 1989) to insure the stability of the Unemployment Insurance Trust Fund. The 2010 BCF is **138.4%**.

Taxable Wages -- These are reported on the UI-3/40 Quarterly Contribution and Wage Report.

If you have incurred liability within each of the **three** calendar years immediately preceding 2010, calculate your Benefit Ratio as follows:

1. Total the Benefit Charges for the period July, 2008 through June, 2009.
2. Multiply the total Benefit Charges by the Benefit Conversion Factor of 138.4%.
3. Divide these Converted Benefit Charges by your Taxable Wages for the period July, 2008 through June, 2009. This result, rounded to four places past the decimal when expressed as a percentage, is your 2010 Benefit Ratio.

If you have incurred liability within each of the **four** calendar years immediately preceding 2010, calculate your Benefit Ratio as follows:

1. Total the Benefit Charges for the period July, 2007 through June, 2009.
2. Multiply the total Benefit Charges by the Benefit Conversion Factor of 138.4%.
3. Divide these Converted Benefit Charges by your Taxable Wages for the period July, 2007 through June, 2009. This result, rounded to four places past the decimal when expressed as a percentage, is your 2010 Benefit Ratio.

If you have incurred liability within each of the **five** calendar years immediately preceding 2010, calculate your Benefit Ratio as follows:

1. Total the Benefit Charges for the period July, 2006 through June, 2009.
2. Multiply the total Benefit Charges by the Benefit Conversion Factor of 138.4%.
3. Divide these Converted Benefit Charges by your Taxable Wages for the period July, 2006 through June, 2009. This result, rounded to four places past the decimal when expressed as a percentage, is your 2010 Benefit Ratio.

2. Multiply your Benefit Ratio by the STATE EXPERIENCE FACTOR

Multiply your Benefit Ratio by the 2010 State Experience Factor of **107%**. Round the product to the nearest one-tenth of one percent.

3. Add the product in item 2 to the FUND BUILDING RATE

The Fund Building Rate for 2010 is **0.450%**. This rate is provided for in the Illinois Unemployment Insurance Act and is included in the rate calculation to aid in the maintenance of a solvent Unemployment Insurance Trust Fund.

The **minimum contribution rate** for 2010 is **0.650%** (0.2% plus the 0.450% Fund Building Rate);
The **maximum contribution rate** for 2010 is **7.250%** (6.8% plus the 0.450% Fund Building Rate).

NOTE: An employer whose contribution rate is **higher than 5.400%** and whose **total quarterly wages are less than \$50,000** pays contributions at **5.400%** in that quarter.

WAGE LIMITATION

Only the first **\$12,520** of wages paid to a worker in calendar year 2010 are subject to the payment of contributions.

Examples of Rate Calculation

1. An employer's Benefit Ratio of 0.0722% is multiplied by the 2010 State Experience Factor of 107% to get 0.0773% which rounds to 0.1%. Although adding the Fund Building Rate of 0.450% equals 0.550%, the employer's 2010 contribution rate is the minimum rate of 0.650%.
2. An employer's Benefit Ratio of 1.5299% is multiplied by the 2010 State Experience Factor of 107% to get 1.6370% which rounds to 1.6%. After adding the Fund Building Rate of 0.450%, the employer's 2010 contribution rate is determined to be 2.050%.
3. An employer's Benefit Ratio of 8.0612% is multiplied by the 2010 State Experience Factor of 107% to get 8.6255% which rounds to 8.6%. Although adding the Fund Building Rate of 0.450% equals 9.050%, the employer's 2010 contribution rate is the maximum rate of 7.250%.